

Post Sandy: An Opportunity to Reshape Federal Disaster Policy and Spending Priorities

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Over the past decade, extreme weather and storms have become increasingly commonplace – including coastal storms, wildfires, droughts, and riverine flooding. Federal major disaster declarations have soared, averaging 46 a year in the 1990s to more than 61 annually since 2000, a 33 percent increase. And across the board, federal programs relating to disaster and pre-disaster spending are strained, underfunded, uncoordinated, and too often either underperforming or poorly designed to meet the needs of communities at risk of disaster.

The combination of Superstorm Sandy and the current fiscal and political climate offers a significant opportunity to make a long-term and positive impact on disaster policy to the benefit of communities, taxpayers, and the natural environment. People who previously watched disasters on the Weather Channel and cable news suddenly experienced the storm in their front yards, in the prosperous economic heartland of the mid-Atlantic. The sheer number of people and population centers affected by Sandy has helped shift the debate about disasters to one about helping “other people” to a conversation about national disaster policy.

There is an equal opportunity, however, that Superstorm Sandy’s legacy could be decreased resilience and increased risk to property and lives if it simply reinforces our nation’s current knee-jerk-reaction-oriented disaster planning. It is up to advocates for wiser, safer, and less costly infrastructure development to ensure the right lessons are learned and a smarter legacy created.

There is wide agreement that there is a significant role for the federal government in disaster response, both immediate aid and assistance by federal agencies and funding to rebuild infrastructure. Tax dollars should be spent effectively, efficiently, and for the benefit of all and not narrow special interests. By re-orienting post-disaster spending to encourage rebuilding that makes people, property, and infrastructure less vulnerable and more resilient, we can ensure that future disasters cost far less. Similarly, by restructuring federal spending programs to pre-respond to disaster by not encouraging high risk development in the first place and encouraging measures that mitigate and increase resiliency in the face of climate change and sea level rise, we also reduce the costs of the inevitable future disasters.

Sandy’s Legacy

Not all large scale disasters have a lasting policy impact. Katrina and the other storms of 2005 resulted in very few policy changes. But like the Ash Wednesday storm of 1962 – which resulted in the federal government’s involvement in shore protection – Sandy has real potential to affect policy, *not the least of which is that more House lawmakers’ districts were affected by Sandy than any disaster in memory.* It’s up to advocates of smarter disaster policy to ensure policy change recognizes that in the face of sea level rise and climate change, rebuilding in the same manner and in same place is not sustainable.

In the aftermath of Sandy, there have been calls for buyouts of especially vulnerable property and smarter rebuilding from elected officials in New York and New Jersey. But at the same time lawmakers from the affected region have touted the effectiveness of U.S. Army Corps of Engineers’ efforts at beach replenishment and construction of dunes and berms in reducing storm damage. This convenient explanation - “damage would have been worse without the constructed protection” - fails to recognize that Sandy was not the worst possible storm, and damage would have been further reduced if these areas had not been as developed in the first place.

Many in Washington are trying to write-off advocates of smarter floodplain management and disaster preparedness, claiming the choice is between retreat and reinforcement. This is a false choice with loaded words. Though Americans don't like retreating, what we're proposing is advancing to higher ground and moving out of harm's way when it makes the most sense. Buyouts and relocations with residual flood and storm protection are the best choice in some locales, while in others reinforcing the flood protection may be most economical and efficient. And defenders of the no retreat, reinforce at all costs strategy ignore what millions now know for the first time—that they are vulnerable to natural disasters. Ignoring this reality will put people in harm's way.

Furthermore, by working with natural systems, communities and infrastructure can be less vulnerable with good environmental outcomes. In fact, environmental restoration can be one of the most effective tools for reducing disaster impacts.

Current Policies Promote Risky Development

Whether you are talking about floods or wildfire, drought or earthquake, government has both a balkanized and myopic approach to disaster prevention/ mitigation/ response and climate change. The initiatives are spread across many programs and agencies, and often are not informed by one another. To make matters worse, some of our infrastructure and insurance policies not only encourage development in harm's way, but also keep people in the same place even after the inevitable disaster occurs.

The federal government promotes high-risk development by removing much of the economic risks for the beneficiaries of development. The availability of subsidized (through the form of below market rates) federal flood insurance, predominantly federally funded flood and storm damage reduction projects, post-disaster funding assistance (for all the different types of disasters such as fire as well as flood), and a litany of federal development programs from road-building to community development block grants all serve to shift financial risk to federal taxpayers, thereby encouraging more intensive development and rebuilding in high risk areas.

The federal funding provided in the recent supplemental appropriations bill for "Sandy relief" had very little instruction as to how to prioritize the funding decisions, or even that reconstruction would make communities, people, and property less vulnerable. Much of the funding was provided at full federal expense, removing local and state funding "skin in the game" that can serve as disincentive to simply rebuilding as before. The bill also rushes to automatically green light any project that meets vague criteria of increasing protection. Congress is essentially abdicating its oversight authority and pushing Washington to a wild, wild, west scenario for floodplain management and disaster planning. Thus far, that is the greatest lesson of Sandy.

The inherently wasteful nature of the ad hoc, knee-jerk approach to post-disaster funding is colliding with the fiscal challenges facing the nation. Local communities, state governments, and other non-federal entities have to shoulder more, not less, of the costs. This provides an opportunity to argue that a more consistent federal investment in prevention would be both more fiscally prudent and preclude the need for emergency spending in all but the largest events.

A key to making these disaster reform policies and proposals stick is community engagement. Communities that are prepared and have planned for the inevitable disasters that strike are more likely to not simply rebuild as before, but take advantage of the tragedy to come out the other side as more resilient and less vulnerable to future disasters.

Why Taxpayers for Common Sense

The increased debate over the level of Sandy disaster relief notwithstanding, the nation is going to spend billions of dollars on disaster response annually. But with current budget pressures, it is more critical than ever that the spending be targeted, effective, and justified. Furthermore, pre-disaster investments in making people, property, and infrastructure less vulnerable and more resilient will have to be justified in a constrained budget environment.

Taxpayers for Common Sense will build on our years of experience with disaster response and infrastructure investments around FEMA, the National Flood Insurance Program, Transportation, Housing and Urban Development, Agriculture, Forest Service, and Corps of Engineers funding **to develop better policy solutions for more inter-agency coordination and better pre-spending and responding to disaster, stronger infrastructure investments to prevent disasters and increase resiliency, and to better deal with the implications of climate change.**

Levers of Opportunity for a More Rational Disaster Policy

Too often funding provided for infrastructure pre- and post-disaster serves as a “funded un-mandate” where taxpayers are not sure their investments are being spent in ways that will lead to less future disaster risks or to reduce costs. Most federal infrastructure programs do not rigorously take into account climate change and predicted sea level rise, but in the coming decades, the built environment -- bridges, beaches, wastewater and water supply projects, energy generation infrastructure, and ports -- will be dramatically affected by changing weather.

In the past, disaster related spending – both for mitigation and post-disaster response – was littered with earmarks for parochial interests of powerful lawmakers. Congress is currently operating under an earmark moratorium which gives TCS the opportunity to advocate for programs with transparent criteria and metrics that allocates disaster related spending on the basis of merit, competition, or formula.

A renewed interest in disaster spending and policy opens up opportunities in both the regular budget process and the Stafford Act (1974 legislation that governs federal disaster response) for reform efforts in the 113th Congress. Here are few of the areas of concentration:

Army Corps of Engineers

From debris removal to pumping sand on beaches the Corps of Engineers is on the front lines of disaster recovery and response. All too often the response and construction work has lead to the next disaster as people and property are put back in harm’s way with protection that may work in small and medium size events, but cannot protect against large and extreme events.

The agency is oriented toward structural large-scale solutions designed to prevent damage. The consequences of those solutions often encourage people and infrastructure to remain in harm's way inevitably leading to increased damage in large-scale events that overwhelm the protection. Furthermore, large infusions of cash provided to the Corps after a disaster leads it to rebuild in nearly the same way or pick ill-conceived dormant projects off the shelf and construct them in the name of future protection. The evaluation system for project selection needs to be reoriented to ensure that projects that permanently reduce risk (e.g. buyouts) are given preference in the decision-making process. Furthermore, all projects should have contingency plans for post-disaster because in some cases speed, rather than reason, is the rationale for rebuilding as before.

The authorizing legislation for the Corps, the Water Resources Development Act, is presently under debate in the Congress.

Community Development Block Grants (CDBG)

This large pot of cash (\$16 billion in the Sandy supplemental) that goes to states and localities comes with very few strings attached to ensure smarter development. While reducing risk for low to moderate income communities is one of the acceptable outcomes, it should be the guiding directive. This is not an insignificant amount of funding. Since 2000, more than \$45 billion has gone through the CDBG disaster relief account. Furthermore, greater weight should be provided in the general CDBG formula granting process for plans that include a significant amount of disaster mitigation.

Crop Insurance

The existing system of agriculture subsidies encourages farming that virtually guarantees regular disaster relief. The heavily subsidized crop insurance program guarantees farmers income which encourages over production of lucrative commodity crops and promotes their cultivation on marginal lands which can lead to increased flooding and increased chemical use. While the droughts of 2012 were the worst in a generation, farm profits were at near record levels. And while crop insurance cost taxpayers a record \$14 billion in 2012, the corn crop was still the sixth largest ever. Reducing federal crop insurance subsidies would encourage the highly profitable farming industry to use risk management tools that take advantage of market (such as futures) and traditional (such as crop rotation) tools, while not encouraging planting on marginal land.

Federal Emergency Management Agency (FEMA)

Even within FEMA, the programs and policies for mitigating disaster are balkanized and not mutually reinforcing. Greater emphasis and spending should go to projects that move people and critical infrastructure out of harm's way. Disaster relief funding should be provided with a sliding scale cost-share that rewards communities and states that have credible post-disaster plans. A revamped Community Rating System could help in this area. Furthermore, communities should be required to adopt sustainable building codes and mitigation plans to be eligible for the full federal match.

Forest Service

In too many cases the wildfires the Forest Service is fighting are made more risky and deadly because of encroachment of property owners and even subdivisions into the wildland urban interface. The recent droughts and the looming impact of climate change will only exacerbate this problem. The historic open checkbook attitude to wildfire suppression costs has discouraged proactive planning and restoration investments. Also, the growth of private contractors for suppression operations has created a lobbying class for this approach. One key element to reducing risk and cost will be tying federal spending to changes in on the ground management and zoning law enforcement.

National Flood Insurance Program (NFIP)

Some reforms to the subsidized federal flood insurance program were included in the 2012 legislation that reauthorized the program for another five years. However, further reforms are needed to remove subsidies for high risk development. While the program took in \$3.5 billion in premium revenue in 2011, it was \$17 billion in debt to the federal taxpayer. After Sandy, the indebtedness may rise to as much as \$30 billion.

The mandatory purchase requirement under NFIP should either be strengthened to include properties outside the 100 year floodplain or should be abandoned. The current threshold creates a binary system where the public feels that there is no need for flood insurance if you have 100 year protection. In addition, we have already seen efforts to roll back the 2012 reform bill (Biggert-Waters) and delay the incremental steps toward real risk based

rates. If there is a true need for premium supports for lower income individuals, these should be done as temporary subsidies separate from the risk based rates.

Transportation Funding

One of the legacies of Sandy is the image of flooding in New York City's subway system and tunnels. Simple mitigation measures at the subway entrances or inflatable bladders to block flood waters could have reduced damage significantly, for instance. But most notably, there wasn't a plan for a very predictable flooding event. Mitigation planning and disaster response should be a portion of all transportation projects and transportation plans must take into account how to rebuild more resiliently. One of the best examples of this is the removal of the Embarcadero Freeway after the 1989 Loma Prieta earthquake and construction of the at-grade boulevard.

Wastewater and Drinking Water Funding

Clean water and drinking water infrastructure is, unsurprisingly, a magnet for development. But little has been done to ensure that the EPA's Clean Water and Drinking Water State Revolving Loan Funds encourage less large infrastructure and smaller distributed systems that better integrate the natural systems. Furthermore, because of the very nature of this type of infrastructure it will almost be always constructed in the floodplain, so incorporating protection and disaster planning in initial planning is critical.

Taxpayers for Common Sense brings a unique and valuable voice to the current debates most likely to impact disaster policy and spending. Our strength comes from our long history of working in a nonpartisan way, and our credibility and creativity stems from our commitment to working with facts and data on issues across the budget. Our ability to start working with a policymaker's office or organization on one issue – be it whether energy or defense spending– and interest them in additional issues – whether agriculture or transportation – makes us a trusted broker of unusually productive partnerships, because people know that for TCS it's about effective spending, not ideology. The polarization of current budget debates and the paralysis of Congress demand new voices and new insights to move reform forward, along with a persistent presence pushing back on the constant efforts of the most entrenched interests.

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